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Governor Sean Parnell
STATE OF ALASKA

January 17, 2011

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Oil production in Alaska remains the backbone of our economy. As oil production declines and as the federal government forbids multiple development opportunities we must better incentivize development of state lands. To that end, under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill to make Alaska more competitive as an oil producing state by proposing amendments to Alaska's oil and gas production tax.

The bill would provide tax incentives and credits for the oil and gas industry to increase exploration for, and development of, Alaska's oil and gas resources at any price range. We must remain focused on getting more oil into the pipeline, and creating jobs for Alaskans.

The bill accomplishes six primary goals: (1) encourages development of new, currently undeveloped leases or properties; (2) encourages investment in exploration, development, and production at all price ranges; (3) strengthens the minimum tax; (4) extends tax incentives to North Slope activities and allows producers to apply tax credits in one year; (5) limits the time for assessment of additional production taxes; and (6) reduces the interest rate on delinquent taxes and refunds. These changes would ensure the State continues to receive reasonable revenue and establish a more competitive investment climate for job creation.

These amendments to Alaska's oil tax regime will foster new production sources to stem the decline in North Slope production. More oil means more jobs for Alaskans, more long-term revenue to the State, and lower Trans-Alaska Pipeline System tariffs per barrel.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Sean Parnell".

Sean Parnell
Governor

Enclosure